Assessing the Effect of the Procurement Act (663) on the Public Financial Management in Ashanti Region

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Abstract The Government of Ghana has since 2001 made various efforts to correct the uncontrolled expenditure of public funds that characterised the national economy which has led to a rather unstable economic climate. This article discusses the extent to which the Public Procurement Act (654) has achieved transparency in the use of state resources, causes of delays in the procurement process and effects of the Procurement Act on government expenditure in the Ashanti Region. The descriptive and explanatory research designs were used for the study. The study relied on both probability and non probability sampling techniques. The study revealed that procurement activities and procedures were transparent because decisions on procurement activities followed the rules and regulations of the Act. It was further revealed that contractors were not paid on time after execution of contracts and this affected their organisational management. It was concluded that the Procurement Act had reduced government expenditure considerably in the sense that the Procurement Act has reduced wastage and leakage of financial resources through effective auditing, expenditure monitoring and cost effectiveness and competition which has brought value for money.

Keywords: Procurement Act, Procurement Act (663), public financial management, Ashanti Region


1. Introduction

One of the major developmental issues facing many countries, governments and business entities is the issue of good financial management. Ensuring good financial management practices has been the concern of many financial experts and practitioners. Financial management, especially public financial management is an attempt made by government to ensure that consistently the budget is either a balanced or a surplus budget. These are largely achieved through ensuring adequate receipts from taxes and non-tax sources, and reducing public expenditure levels. It is a deliberate fiscal policy of government that aims at exercising power on tax and spending for the purpose of bringing the nation’s output and employment to desired levels. These are done through the assessment of expenditure policies, revenue drive or revenue diversification and tax reforms among others [1].

Financial Management consists of all the activities concerned with obtaining money and using it effectively. Effective financial management involves careful planning and efficient use of resources. Proper financial management can ensure that financial priorities are established in line with organisational goals and objectives; spending is planned and controlled in accordance with established priorities and sufficient financing is available when it is needed both now and the future [2].

Good financial management has an advantage of reducing government expenditure by ensuring that the services needed by the citizens especially the poor are actually delivered, maintained and worked properly. It ensures accountability to citizens for the use of public resources. The key objectives of financial management are to create wealth for the government, generate cash and provide an adequate return on investment. There are three elements of the process of financial management. These are;

- Financial planning: management needs to ensure that enough funding is available at the right time to meet the needs of the government. Funding may be needed to invest in equipment, stocks and pay employees.
- Financial control: it is a critically important activity to help the government to ensure that the government meets its objectives. It addresses the following questions:
  a. are assets being used efficiently?
  b. are government assets secured?
  c. does management act in the best interest of shareholders?
- Financial decision making: it deals with investment and how investment is financed.

Public financial management emphasises three important concepts: economy, efficiency and effectiveness.
But at the heart of controlling cost with the public sector is the concept of Public Procurement. According to [3], the basic principles of procurement are more important for cost control rather than rigid rules to help protect the public and its citizens against abuse.

According to [4] procurement is part of the fiscal policies and programmes directed toward achieving effective and efficient public financial management and national development. As an economic instrument for guaranteeing national development, when well planned and implemented, has the potency of contributing to the realisation of the following: improves resource mobilisation, promote debt sustainability and effective management of debt, improves public expenditure management, enhances national income generation and reduce economic and financial dependency.

In Ghana, public procurement is a major activity of government that generates important financial resources and makes the state one of the largest economic actors in many developing countries [5]. The public procurement reform programme is part of a wider reform agenda targeted at improving public financial management. The objectives of the procurement reform are: to promote national development; enhance harmony with other local and international laws; foster competition, efficiency, transparency and accountability; facilitate ease procurement administration; and ensure value for money [6]. Among other things, the Public Procurement Act 663 sought to harmonise public procurement processes in the public service, secure judicious, economic and efficient use of state resources, ensures fair public procurement, transparent and non-discriminatory and to reduce or eliminate corruption in the procurement process [7].

According to the [8], annual savings of about US$150 million are envisaged through better management of government-financed procurement alone. A key deliverable of the Ghana’s procurement reform was a draft Public Procurement Act, which was enacted into law by Parliament in 2003. Direct measures also undertaken by Government include: the issuance and monitoring of expenditure ceilings for each Ministry, Department and Agency consistent with the annual budget and updated cash flow forecasts and implementing new anti-corruption strategies including codes of conduct for state officials. All procuring entities seek clearance from the Ministry of Finance through certification as proof of the availability and adequacy of funding before any works contract is awarded.

Public Financial Management Reform Programme (PUFMARP) identified shortcomings and organisational weaknesses inherent in Ghana’s procurement system. These include: the absence of a comprehensive public procurement policy and the lack of a comprehensive legal regime to safeguard the integrity of the public procurement system. Others were the absence of a central body with the requisite capability, technical expertise and competence to develop a coherent public procurement policy. The Act provides for a comprehensive public procurement system and establishes the Public Procurement Board. The Bill takes into account the country’s decentralisation policy and local industry development. Finally, the Act revokes the District Tender Board Regulations, 1995 (L.I.1606) and repeals the Ghana National Procurement Agency Decree 1976 (SMCD 55) and the Ghana Supply Commission Law, 1990 (PNDCCL 245).

Despite the important role played by the Procurement Act, it appears that government institutions in the Ashanti Region go through a lot of lengthy bureaucratic processes in acquiring goods and services due to the passage of the Procurement Act. This, according to [9] this results in low productivity, inefficiency and loss of money and detrimental effect on government budget. Instead of the Act improving public financial management, it has rather weakened public financial management in the region.

A careful and systematic enquiry is, therefore, needed examine the causes of the delay, and assess the effects of the act on government savings and expenditure (public financial management) as well as the effects of the act on transparency in the use of state resources. In subsequent sections of this paper the discussions will focus on conceptual issues on Public Procurement Act and Public Financial Management, the methodology, and the empirical evidence of the effects of the Public Procurement Act on Public Financial Management in the Ashanti Region. The last section of the paper features the conclusions and policy implications.

2. Literature Review

2.1. Public Procurement Act on Public Financial Management

Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties. It involves option appraisal and the critical “make or buy” decision which may result in the provision of goods and services in appropriate circumstances [10]. Public Procurement as is the acquisition of goods and services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place for the direct benefit or use of governments, corporations, or individuals, generally via a contract[11].

According to [12], Public Procurement has a direct impact on the following: the successful delivery of government projects and public services, sound financial management by achieving value for money in government expenditure, reducing corruption, more competition, budgetary savings, reduce debt levels, and encouraging private sector.

Public procurement constitutes over 50 percent of Government budgets besides the cost of government wage bill and accounts for the largest share of government expenditure. Corruption in public procurement sometimes manifests as bribery, rent-seeking, contractor-client payoffs, kick-backs as shown in the Vicious Circle of Corruption in Public Procurement. According to a recent study by the World Bank, Corruption costs the African Continent about $148 billion approximately 25 percent of its Gross Domestic Product (GDP) and usually results in the execution of shoddy contracts which have far reaching and most debilitating effects on society as a whole [13].
In an effort at stemming the tides of procurement corruption, Ghana’s Public Procurement Act, 2003 (Act 663) which is fashioned after the UNCITRAL Model Law of Public Procurement guarantees transparency and accountability in the use of public funds. Some of the salient provisions in the Act 663 that could serve as effective antidote for procurement related corruption are: establishment of a regulatory body; establishment of procurement structures; procurement rules; methods of procurement; and administrative review [13].

A study conducted by PPA revealed that the Government of Ghana could save about 25 percent of its domestic revenue from prudent public procurement practices and it reduces government expenditure. Purchasing procedures are usually embedded in lots of bureaucracy and require that every superior puts his signature under the intended order. The extensive authorisation procedures make procurement a tedious, laborious and slow process. It explains why most procurement entities within the governments of developing countries are more procedure rather than result oriented [14,15].

The European Commission (EC) estimates that its member countries annually would save at least 4 percent of their purchasing budgets, provided that they would apply consistent and competitive tender procedures in their dealings with suppliers [16]. This means that bureaucracy and undue procedures in Procurement process may lead to loss of money through over spending and it affects government budget. It is also clear that Weele’s view is not far different from the World Bank’s assertion that delays as a result of bureaucratic system increase government expenditure.

Finance is concerned with determining an organisation’s long-term investments, how funds are obtained to pay for the investment, conducting the firm’s everyday financial activities and managing the firm’s risks. Financing is basically to ensure that an organisation has enough funds to run the day-to-day activities of the organisation. Financial control is the process of checking actual expenditure performance against plans or desired financial results [17]. The activity of finance is the application of a set of techniques that individuals and organisations use to manage their financial affairs, especially the difference between income and expenditure and the risk of their investments.

According to [18] public finance is the field of economy that deals with planning, budgeting, revenue collection and expenditure control of a public sector entity, usually government institutions. It is concerned with identification of the required expenditure of a public sector entity, sources of that entity’s revenue, and budgeting process. Public finance is related to attempts made by a government to ensure that consistently the budget is either a balance or a surplus budget. These are achieved through ensuring adequate receipts from taxes.

Figure 1. Vicious Circle of Corruption in Public Procurement. Source: Public Procurement Authority (Republic of Ghana, 2013)
and non-taxes sources, and reducing expenditure levels. In public finance, efficient cash management and revenue collection contribute to efficient goods and service delivery. Further, efficient goods and services delivery is achieved through effective monitoring and allocation of resources.

Financial management is concerned with accounting for and controlling the sources and uses of the funds that an organisation employs in its operation. It aims at providing the needed money in the most economical way from borrowing owner’s investments or sale. Financial management regulates the use of the money to produce the greatest output. Management is a process that decides on the specific goals of an organisation and directs the efforts of other people to accomplish actions needed to meet the goal [19]. Financial management is the managing of public and private resources so as to meet their goals and objectives. Financial management could be in the hands of chief financial officer, a person who serves as company treasurer or vice president of finance [20].

Good public financial management promotes a system of accounting that shows the effective utilisation of the financial resources of the country; provides a window to the public to ascertain the financial status of the government; and serves as a major instrument in the formulation and implementation of government policies. Good public financial management includes; Cash management, Aid and debt management, Revenue management, Audit and Procurement.

Procurement: In order to streamline the purchasing of goods, works and services, and establish an effective monitoring and tracking system that reduces government expenditure to achieve balance budget or surplus budget. The Public Financial Management (PFM) framework sets out the following as key components of a good PFM system. These include: internal control system; transparency; credible and comprehensive budget; and expost systems of external scrutiny by the legislature and by external audit [21].

2.2. Conceptual Framework

![Conceptual framework on Procurement and Financial Management (Authors’ construct, 2012)](image)

Transparency, fairness and competition in procurement bring to public light mistakes, errors in judgments and bad practices that affect the management and administration of a country. They allow citizens to challenge unfair public officials and make them more accountable to the people. Efficiency and effectiveness in procurement ensures expenditure control since they minimise cost and ensures value for money. Again ethical approach as a principle of procurement leads to bureaucracy in financial management. The relationship between ethical approach and bureaucracy is to avoid personal interest and promote public interest.

3. Methodology

The study was carried out in the Ashanti Region, Ghana. The Ashanti Region is the third largest of the 10 administrative regions in Ghana. It is located in the middle belt of Ghana. It lies between longitudes 0.15W and 2.25W and latitudes 5.50N and 7.46N. The major occupation in the region is agriculture/animal husbandry/forestry, except in Kumasi, the capital city, where sales worker predominate.
The study adopted descriptive and explanatory research designs to examine the effects of the Public Procurement Act on Public Financial Management in the Ashanti Region [22]. A sample size of 70 contractors and consultants was included in the study from a population of 90 contractors and consultants. According to Krejcie and Morgan (1970), cited in [23], a population of 90 requires that one uses all the 90 respondents in the study. This assumes a margin of error of five percent and a 95 percent confidence level. However, due to the widespread and scattered nature of the contractors and consultants in the Ashanti Region, 70 of them representing 77.8 percent who were within the reach of the researchers were included in the study. These were then selected from the sampling frame constructed.

In addition, a total of 9 staff made up of procurement officials, finance officers, planning officers, who were considered to be knowledgeable about the effects of the Public Procurement Act on Public Financial Management in the Ashanti Region were purposely selected as key informants. In all 79 respondents were included in the study. Two sets of structured questionnaires were used to collect data from specific groups and individuals. In order to test the validity and reliability of the data collection instruments, as well as data processing and analysis procedures, a pre-test was conducted in the Brong Ahafo Region. With the help of Statistical Product and Service Solutions (SPSS Version 16) and Microsoft Excel (2007), frequencies and percentages and tables were generated as part of the analysis. The results are presented in the next section.

4. Empirical Evidence

This study was set out to assess the effect of Public Procurement Act on Public Financial Management in Ashanti Region. The research work was undertaken purposely not only to fulfil the academic pursuit but also to ascertain the actual effect of Public Procurement Act which is a component of (PUFMARP) on Public Financial Management to inform policy makers. After a series of intensive review and analysis of materials relating to Public Procurement, the following findings were made.

4.1. Profile of Respondents

Table 1 presents the background information on the respondents. It includes the sex, age and educational levels of respondents. It can be seen from Table 1 that a sizeable number (87.1%) of the contractors and consultants were males whereas the same applied to the key informants as 77.8 percent of them were males also.

It is further evident from Table 2 that majority of the respondents were found within the age bracket of 31-40 years (41.1% for consultants and contractors and 33.3% in the case of key informants). In terms of education, all the respondents had some formal education. In the case of the contractors and consultants, 47.2 percent had had college and polytechnic education where as 55.6 percent of the key informants had also had college and polytechnic education. In the case of university education, 27.1 percent and 44.4 percent of the contractors and consultants and key informant indicated that they had received university education.

<table>
<thead>
<tr>
<th>Table 1. Profile of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Contractors and Consultants</td>
</tr>
<tr>
<td>Sex</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>&lt;30</td>
</tr>
<tr>
<td>31-40</td>
</tr>
<tr>
<td>41-50</td>
</tr>
<tr>
<td>51-60</td>
</tr>
<tr>
<td>Above 60</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>SSS/Voc/Tech</td>
</tr>
<tr>
<td>College/Poly.</td>
</tr>
<tr>
<td>University</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Fieldwork, 2010

4.2. Fairness and Competition

The study sought to find out from the study the extent to which the procurement process ensures that there is fairness and competition in the procurement process as is evident from the conceptual framework. Questions were, therefore, set to elicit this.

It was revealed from the study that, the majority, 92 percent, of the key informants indicated that they followed the laid down procurement procedures in awarding contracts to awardees through competition. This according to them ensured fairness in the process. In an attempt to find out if indeed contracts were awarded to contractors and consultants fairly they were asked to indicated the extent to which they were fairly awarded they contracts. The majority, 90 percent (63) of the contractors and consultants strongly agreed that they were taken through the laid down procurement process or the provisions in the Procurement Act before they were awarded their contracts. To this, they indicated that they all prepared procurement plans before they were considered.

It was revealed from the study that contracts were published and advertised through the various media to attract competitive contractors and consultants. The key informants indicated that in order to ensure fairness and transparency in the procurement process, opportunities were advertised in national newspapers and on national televisions. The Daily Graphic and Ghanaian Times were among the newspapers through which tender invitation were published. This was in conformity with the Procurement Act 2003 that requires procurement entity to publish tender invitation in a wide nationally circulated newspaper as stated in Section 47 (2) of Act 663 [13]. Contractors and consultants were asked whether contracts were advertised publicly and were keenly contested. The result is in Table 2. It is discernible from Table 2 that majority, 52.9 percent of the contractors and consultants indicated that contracts that they were advertised publicly with 21.4 percent of them strongly agreeing. However, 10 percent disagreed that the contracts they were awarded were advertised with 2.9 percent strongly disagreeing that their contracts were publicly advertised. It is therefore evident that in most cases procurement entities mostly adopt National Competitive Tendering method that enhances fairness, ensures transparency in the procurement practices, reduce
corruption, mismanagement and force institutions to be responsible which ensures accountability as can be seen from the conceptual framework.

4.3. Efficiency and Effectiveness in the Procurement Process

It is evident from the literature that that one of the advantages of the Procurement Act is that it ensures efficiency and effectiveness in the procurement process. The study therefore sought to find out the extent to which this is so.

<table>
<thead>
<tr>
<th>Advertisement</th>
<th>Respondents</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>19</td>
<td>27.1</td>
</tr>
<tr>
<td>Agree</td>
<td>37</td>
<td>52.9</td>
</tr>
<tr>
<td>Indecisive</td>
<td>5</td>
<td>7.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
<td>10.0</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Fieldwork, 2010

Table 2. Publicly advertising contracts

It was revealed from the study that the procurement act ensured efficiency and effectiveness. All the key informants strongly agreed that the Procurement Act to a very large extent engendered efficiency and effectiveness. According to the informants, the Act requires that competitors are made to submit their tender documents to the procurement entity for proper evaluation and scrutiny. This according to them, afforded them the opportunity select the right contractors and consultants for contracts.

The literature as can be found in the conceptual framework reveals that, imbedded in the Procurement Act is ensuring efficiency, value for money, reducing extravagance and ensuring effectiveness. The key informants strongly agreed that the Act had brought cost-effectiveness and efficiency in the use of government funds due to strong competition in procurement activities. Value for money is often primarily established through the competitive process. A strong competition from a vibrant market generally, according to the informants, delivers a value for money and saves cost. The study, therefore, sought to find out the extent to which this assertion as it exists in the literature is true.

<table>
<thead>
<tr>
<th>Institution</th>
<th>No of Projects Awarded</th>
<th>Estimated Cost (GHC)</th>
<th>Tender Cost (GHC)</th>
<th>Amount Saved (GHC)</th>
<th>Percentage Saved (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bekwai Munici.</td>
<td>2</td>
<td>300000.0</td>
<td>298559.5</td>
<td>1449.6</td>
<td>0.48</td>
</tr>
<tr>
<td>Bosomtwe Dist.</td>
<td>1</td>
<td>148000.0</td>
<td>146000.0</td>
<td>2000</td>
<td>1.35</td>
</tr>
<tr>
<td>KMA</td>
<td>3</td>
<td>5037086.1</td>
<td>4952106.7</td>
<td>844908.4</td>
<td>16.77</td>
</tr>
<tr>
<td>KNUST</td>
<td>4</td>
<td>9900.00</td>
<td>7750.0</td>
<td>2150.0</td>
<td>21.71</td>
</tr>
<tr>
<td><strong>TOTAL COST SAVED</strong></td>
<td><strong>5,494,986.1</strong></td>
<td><strong>5,404,478.1</strong></td>
<td><strong>90,507.9</strong></td>
<td><strong>1.64</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s Fieldwork, 2010.

Table 3 shows the extent to which this is so. From the table, it is discernible that certainly competition in procurement activities in Ashanti Region has saved cost and discouraged tenderers from over quotation or over pricing of contracts. The data indicated that ten projects selected from Ashanti Region, 9.5 percent of the total cost was saved. This corroborates [24] assertion that the Procurement Act saves contract value.

In order to further buttress the point that the Procurement Act ensures efficiency and effectiveness, the contracts and consultants were asked to affirm or dismiss this assertion. The result is presented in Table 4. It is revealing from Table 4 that half (50%) of the contractors and consultants agreed that the Procurement Act ensures efficiency and effectiveness with 34.4 percent strongly agreeing to the assertion. On the contrary, 8.6 percent and 4.3 percent disagreed and strongly disagreed with the assertion that the act ensures efficiency and effectiveness. It was evident from the responses of the contractors and consultants that the Procurement Act ensures transparency.

4.4. Transparency in the Procurement Procedure

Transparency is one of the tenets on which the Procurement Act operates. In order to establish this as shown in the literature, the key informants were asked to indicate how the Procurement Act ensures transparency in the process. Key informants indicated that to a very large extent the Procurement Act ensures transparency in the procedures. According to the key informants, contracts are duly advertised and published to the general public through national media for the general public. This act is an indication of transparency in procurement procedure and this revelation affirms the assertion by [12] that transparency enables the creation of open, fair and transparent procedures.

Quite apart from that contractors and consultants are taking to a competitive bidding process. What this does according to the key informants is that it reduces personal interest from official in the procurement entity and enhances public interest as contractors and consultants are giving equal opportunity in the bidding process. Issues such tribalism, cronynism, nepotism, red tapeism are, therefore, minimised in the process.

Table 3. The Procurement Act and Cost Savings

Source: Fieldwork, 2010

Table 4. Procurement Act ensures efficiency and effectiveness

Source: Fieldwork, 2010

Table 4. Procurement Act ensures efficiency and effectiveness

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Source: Fieldwork, 2010
It is evident from Table 5. From the table, 61.4 percent of the contractors and consultant agreed that the Procurement Act ensured transparency with 20 percent strongly agreeing to the assertion. However, 12.9 percent disagreed with 4.3 percent strongly disagreeing that the Procurement Act ensured transparency whereas 1.4 percent remained indecisive to the assertion.

Table 5. Procurement Act ensures Transparency

<table>
<thead>
<tr>
<th>Advertisement</th>
<th>Respondents</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>14</td>
<td>20.0</td>
</tr>
<tr>
<td>Agree</td>
<td>43</td>
<td>61.4</td>
</tr>
<tr>
<td>Indecisive</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>9</td>
<td>12.9</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Fieldwork, 2010

4.5. The Procurement Act and its Challenges

The Procurement Act was basically designed to correct the uncontrolled expenditure of public funds that characterised the national economy which has led to a rather unstable economic climate in Ghana. In spite of its phenomenal advantages revealed from the study above, it was found to be faced with some challenges. The challenges identified were delay in procurement process and late payment of contractors upon completion of work.

4.5.1. Delay in Procurement Process

It was revealed from the study that one of the challenges on the Procurement Act was delays in the procurement process. For instance it was found out that advertisement for procurement opportunities and evaluation periods took an amount of time that affected the smooth procurement activities and delayed the procurement process. Auditing is considered to be a crucial ingredient for a successful implementation of the Public Procurement Act. The study revealed that procurement entities had quality control and auditing in their respective offices and their activities were regularly audited to check arbitrary expenditure and achieve accountability. Most Procurement entities consulted followed the laid down procedure or the provision of the Act which states that all the procurement entities should prepare procurement plans. These bureaucratic processes according to the respondents delayed the procurement process. These other causes as gathered from the study corroborate the findings of [25] assertion that, one of the effects of bureaucracy in procurement is delay of project implementation.

4.5.2. Delay in Payment of Contractors and Consultants

The study further revealed that contractors were not paid on time after execution of contract and this affected their organisational management which included high payment of interest rate, inability to pay their workers and conflicts between their organisations and their respective bankers. Few entities which paid compensation to contractors did not use the prevailing interest rate but rather use negotiation to pay contractors.

It is evident from Table 6 that a sizeable number of the respondents, 48.6 percent, indicated that they were paid within a period of 1-6 months while 17.1 percent responded that they were paid in more than a year. According to the key informants, unavailability of funds, bureaucratic process in procurement, centralised payment system, inability of contractors to finish projects within stipulated period and breach of contract were among the reasons for the delays in payments.

Table 6. Payment of contract

<table>
<thead>
<tr>
<th>Payment of contract</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-6 months</td>
<td>34</td>
<td>48.6</td>
</tr>
<tr>
<td>7 months - 1 year</td>
<td>24</td>
<td>34.3</td>
</tr>
<tr>
<td>Above 1 year</td>
<td>12</td>
<td>17.1</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Fieldwork, 2010

5. Conclusions and Recommendations

The results of this study demonstrate that the Procurement Act has brought about fairness and competition in the contract awarding and the procurement process. Also, the act ensures efficiency and effectiveness in awarding of contracts to contractors and consultants. The study further revealed that there has been transparency in the use of state resources. This consequently means that there is openness and fairness in procurement activities in Ghana now. Again, the decisions of procurement entities follow the rules and regulations of the Act and these decisions are available and accessible to the public.

The study however showed that even though the Procurement Act has enormous advantages imbedded in it, it was found out to be faced with some challenges. The major challenges identified by the study were delays in procurement process and late payment of contractors upon completion of work. The main cause of the delays in the process according to the study was bureaucracy. Unavailability of funds, bureaucratic process in procurement, centralised payment system, inability of contractors to finish projects within stipulated period and breach of contract were the reasons for the delays in payments.

Based on the findings, the study, therefore, suggests the following recommendations.

1. In order to enjoy all benefits that come with the Procurement Act, it is recommended that the Procurement entities comply with the contractual agreement with contractors/suppliers by honouring prompt payment upon completion of contracts/projects. This would enhance contractor’s ability to become resourceful to improve upon their financial capabilities on subsequent execution of projects/contracts.

2. Furthermore, the government should endeavour to review the Act to limit the number of steps in procurement process so as to reduce the level of bureaucracy in the system. Bureaucracy delays the smooth procurement process and eventually affects public financial management since it adds more cost
to contractors and government if they are to pay interest rate.

3. The Public Procurement Act is a very effective tool for the fight against corruption in Ghana. Practitioners and entities therefore need to be educated on the provisions of the act and the consequences of breaching those provisions for both the practitioners and entities and service providers.

Abbreviations

DCEs  District Chief Executives
EC  European Commission
KMA  Kumasi Metropolitan Assembly
KNUST  Kwame Nkrumah University of Science and Technology
L.I.  Legislative Instrument
PFM  Public Financial Management
PNDCL  Provisional National Defense Council Law
PPA  Public Procurement Authority
PPB  Public Procurement Board
PUFMARP  Public Financial Management Reform Programme
SPSS  Statistical Product and Service Solutions
UNCITRAL  United Nations Commission on International Trade Law

References